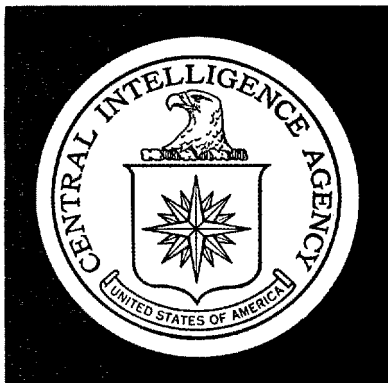


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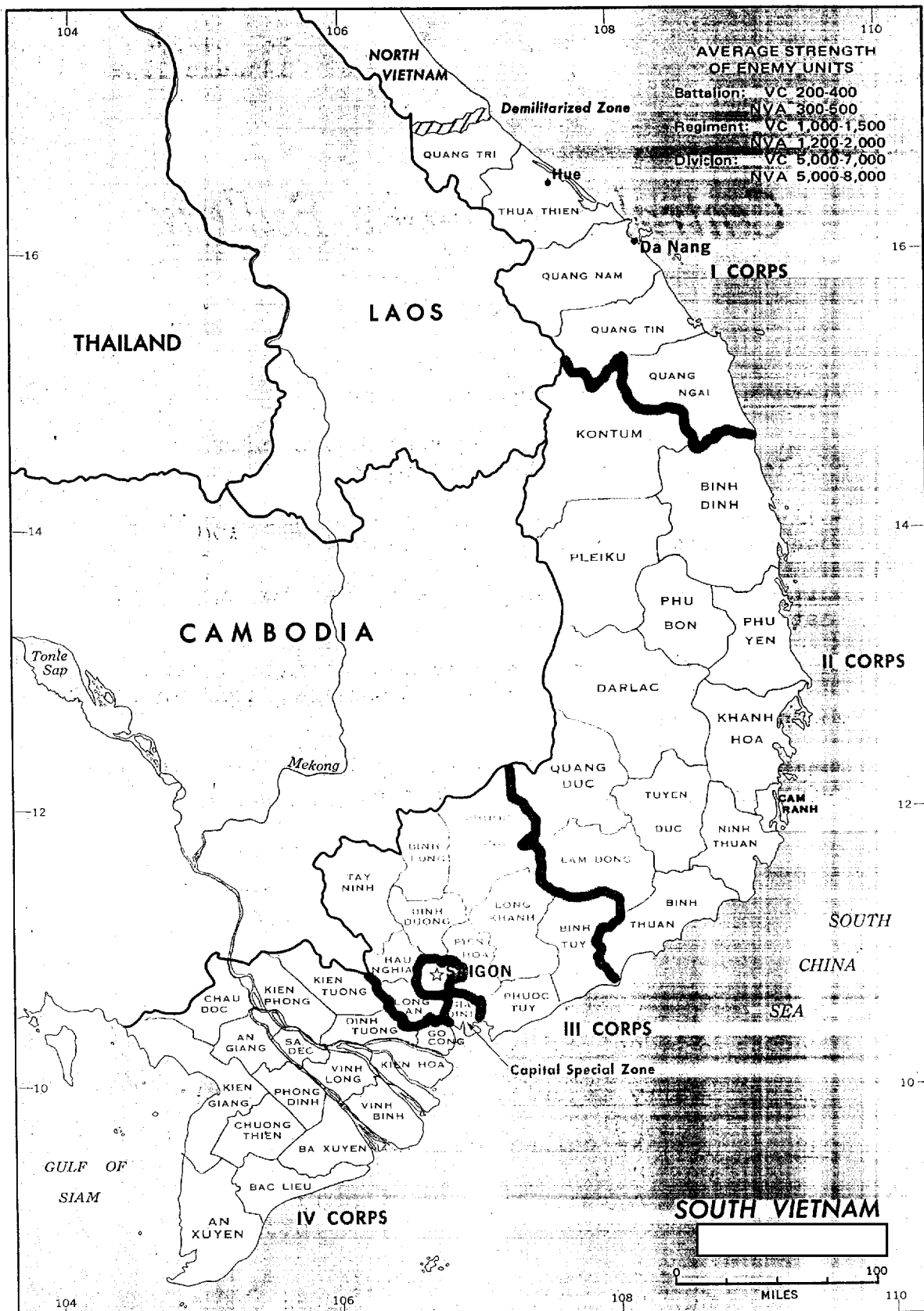
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Vietnam: Communist shelling increased in the northern provinces on 12-13 June, amid further signs of enemy plans for another intense flare-up of attacks similar to the "high point" of 6-8 June.

Enemy mortar and rocket fire struck Da Nang and two other towns in southern I Corps on 13 June. Several rocket rounds hit populated areas near military targets in Da Nang. To the north in Hue, a Viet Cong sapper unit reportedly penetrated the city and fired antitank rockets at a police post.

25X1 continue to indicate that the enemy will concentrate shelling attacks and ground probes in at least the I and III corps areas in a new offensive phase which could come as early as 15 June.

* * * *

The new Vietnamese Communist Provisional Revolutionary Government (PRG) now has picked up diplomatic recognition from over a dozen countries.

Most are Communist states and include North Vietnam, the Soviet Union, Mongolia, almost all of Eastern Europe, Cuba, and North Korea. A handful of "third world" countries with whom the Vietnamese Communists enjoy special empathetic ties--Algeria, Syria, and Congo (Brazzaville)--also recognized the PRG.

All but Yugoslavia and Congo (Brazzaville) were among the 19 countries which previously had granted some form of recognition to the Liberation Front, and the Communists doubtless expect most of the rest of these to establish relations with the PRG. They probably hope that their new governmental status may draw recognition from some additional countries.]

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The North Vietnamese ambassador to Moscow will arrive in Stockholm on 27 June to present his credentials to the Swedish Government. Sweden's ambassador to Peking presented his credentials to Hanoi last April. The North Vietnamese will open a small diplomatic establishment in Stockholm, headed by a chargé, in the near future. It will supplement their information office there and serve as an additional channel for the conduct of relations.

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Peru: Leftist influence in the Ministry of Mines and Energy is causing problems for another US oil company.

Contract renewal negotiations between the Peruvian Government and the US-owned BELCO petroleum company are stalled over the question of the price to be paid the company for crude oil delivered to the state petroleum agency for refining. BELCO has begun to curtail some of its operations and reportedly has threatened to shut down completely if it does not receive its price, which is some 15 cents per barrel more than imported crude.

[redacted] the minister of mines, General Fernandez Maldonado, and his extreme leftist advisers plan to hold out in the hope that the company will be forced to give up its concessions, which would then be taken over by the state.

These leftist civilian advisers wield strong influence over Fernandez Maldonado, who on several occasions has overridden recommendations by the state petroleum agency on their advice. The latest disagreement between these two groups is over the construction of a new oil refinery in southern Peru. A team from the agency has recommended opening the project to international bidding, but the advisers appear to be having some success in convincing Fernandez Maldonado that he should accept a Rumanian offer to construct the refinery.

Fernandez Maldonado appears to have become the spokesman for the left within the government. The finance minister recently charged that Fernandez Maldonado and his leftist advisers were causing unnecessary financial problems for Peru by refusing to act on mining investment offers by US companies.

[redacted]

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Bolivia-USSR: President Siles reportedly will soon exchange ambassadors with the USSR with the approval of Bolivian armed forces commander in chief Ovando.

Diplomatic relations were established in 1945, but missions were never exchanged. The current negotiations--begun by former president Barrientos--apparently have been conducted by Bolivian ambassador to Mexico Anaya with Soviet representatives in that country.

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Siles may be trying to establish credit among Bolivian leftists and strengthen his rather shaky hold on his office. Ovando, who plans to be Bolivia's next president, and other officials probably feel that Bolivia should not lag behind other Latin American countries in asserting independence of US influence and underlining economic needs by closer relations with the USSR.

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United Kingdom: [London's trade position improved last month, and the current account deficit was sharply reduced during the first quarter of the year.]

[The seasonally adjusted trade deficit fell to \$48 million in May, the lowest deficit since January. Exports rose to a record high while imports declined for the first time since January, largely because of reduced shipments from the US and Canada. The gain in exports was spread among almost all major categories of manufactures, with deliveries of electrical equipment, ships, and aircraft showing the most rapid increase.]

[British invisible earnings--including payments to the UK for services and returns on investments--averaged \$112 million a month during this year's first quarter compared with an average \$74 million monthly during 1968. This improvement helped reduce the first quarter's current account deficit to \$48 million from the \$185 million registered in the last quarter of 1968.]

[The latest figures are encouraging, but they do not signal an end to Britain's economic ills. The over-all balance of payments is still in deficit, and London is faced with enormous foreign debts, many of which must be repaid this year.]



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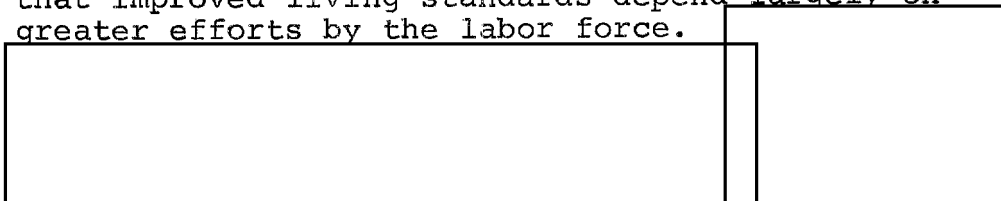
Hungary: The head of the Trade Union Council in a speech on 10 June admitted that the Hungarian consumer is facing food shortages, but claimed that the government is taking steps to remedy the situation.

There is no general shortage of meat, but inadequate supplies of pork--first evident at the end of April--probably will persist throughout the year. Certain other foods and manufactured consumer goods are also periodically in short supply.

Budapest is further concerned about rising prices and inequities in the wage structure. Consumer prices rose steeply during the first quarter of 1969. Although wage increases last year were enough to cover these price boosts for the average worker, pensioners and low-income groups have suffered.

Budapest has acknowledged that the economic reform has failed to achieve adequate income differentials between skilled and unskilled workers. In 1968, the great variation in bonuses granted to workers and managers also undermined the government's incentives policy.

Hungarian officials have complained that the rise in industrial output and worker productivity during the past several months was insufficient. Although the lag in labor productivity was anticipated in Budapest, the government has made it clear that improved living standards depend largely on greater efforts by the labor force.



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Tunisia: Key officials opposed to the agricultural reform program may be reassigned in the near future.

The secretary of state for the interior, who is slated to be appointed ambassador to Washington, plans to resist the transfer, [redacted] The official strongly opposes the government's program to organize all agricultural production into cooperatives.

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A farmers' riot in eastern Tunisia last February led the government to intensify its campaign to convince the farmers that the cooperative scheme would ultimately benefit them. Last month, the authorities arrested some 30 landowners who were resisting the program, accusing them of plotting to assassinate Ben Salah and the provincial governor. Discontent over the agricultural reform program, nevertheless, remains serious and widespread, and only extensive respect for Bourquiba has prevented more serious reactions.

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Ecuador: The persistent student agitation that has plagued Ecuador since early May broke out in new violence on 12 June in Guayaquil; a policeman was killed. Ordinary citizens and businessmen are increasingly irritated by the government's failure to contain the spreading lawlessness, which is disrupting travel on main highways and normal activity in many cities. If violence continues, the next stage is likely to be vigilante action that could in turn deteriorate into virtual anarchy.

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Ireland: Prime Minister Lynch's Fianna Fail party, which has governed for most of the past 37 years, is in danger of losing its slim majority in the elections on 18 June. The campaign is being fought mainly over welfare programs, economic philosophy, and the long tenure of Fianna Fail. The main opposition party, Liam Cosgrave's Fine Gael, is offering an attractive welfare program; the Labor Party, though given no chance of victory, is making its first serious bid for power. Neither the difficulties in Northern Ireland nor foreign questions have been issues in the campaign.

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Senegal: A general strike scheduled for 12 June was called off after President Senghor deployed security forces at strategic installations and threatened to use whatever force was necessary to maintain public order. Labor solidarity collapsed in the face of Senghor's firm action, and disgruntled leftist labor leaders may now form a separate organization. Workers' grievances remain unsolved, and further labor agitation is likely as the rank and file continue to press labor leaders to seek concessions from the government.

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